

AMENDED IN SENATE APRIL 24, 2006

AMENDED IN SENATE APRIL 18, 2006

**SENATE BILL**

**No. 1770**

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**Introduced by Senator Figueroa**

February 24, 2006

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An act to amend Sections 8880.4 and 8880.5 of, and to add Section 8820.24.5 to, the Government Code, relating to the California State Lottery.

LEGISLATIVE COUNSEL'S DIGEST

SB 1770, as amended, Figueroa. California State Lottery: multistate lottery: Cal Grant C Plus Program.

(1) Existing law, the California State Lottery Act of 1984, establishes the state lottery and provides for allocation of state lottery revenues to, among other things, public education.

(1) Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

Existing law, known as the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act, establishes the Cal Grant A and B entitlement awards, the California Community College Transfer Entitlement awards, the Competitive Cal Grant A and B awards, the Cal Grant C awards, and the Cal Grant T awards under the administration of the Student Aid Commission, and establishes eligibility requirements for awards under these programs for participating students attending qualifying institutions.

Existing law authorizes the operation of the California State Lottery and provides for the distribution of not less than 34% of the revenues

for the support of public education to be allocated on an equal per capita basis.

This bill would authorize the California State Lottery Commission to enter into a multistate lottery agreement.

This bill would provide that ~~at least 34%~~ *an unspecified percentage* of the revenue generated from any multistate lottery on and after the operative date of the bill be deposited in a Cal Grant C Plus Program Account in the California State Lottery Education Fund and allocated to the Student Aid Commission for awards for the purposes of that program.

(2) The California State Lottery Act of 1984, an initiative statute, provides that none of its provisions may be changed, except to further its purpose by a bill passed by a  $\frac{2}{3}$  vote of each house of the Legislature and signed by the Governor. The California Constitution authorizes the Legislature to propose to the voters for approval an amendment of an initiative statute.

This bill would require its provisions to be submitted for approval by the voters.

(3) This bill would declare that it would not become operative unless and until SB 1819 of the 2005–06 Regular Session is chaptered and becomes operative.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 8880.24.5 is added to the Government
- 2 Code, to read:
- 3 8880.24.5. The Commission may enter into a multistate
- 4 lottery agreement.
- 5 SEC. 2. Section 8880.4 of the Government Code is amended
- 6 to read:
- 7 8880.4. Revenues of the state lottery shall be allocated as
- 8 follows:
- 9 (a) Not less than 84 percent of the total annual revenues from
- 10 the sale of state lottery tickets or shares shall be returned to the
- 11 public in the form of prizes and net revenues to benefit public
- 12 education and, *only as specified in subdivision (n) of Section*
- 13 *8880.5*, the Cal Grant C Plus Program established pursuant to

Chapter 6.1 (commencing with Section 69439.1) of Chapter 1.7 of Part 42 of the Education Code.

(1) Fifty percent of the total annual revenues shall be returned to the public in the form of prizes as described in this chapter.

(2) At least 34 percent of the total annual revenues shall be allocated to the benefit of public education and, *only as specified in subdivision (n) of Section 8880.5*, the Cal Grant C Plus Program established pursuant to Chapter 6.1 (commencing with Section 69439.1) of Chapter 1.7 of Part 42 of the Education Code, as specified in Section 8880.5. However, for the 1998–99 fiscal year and each fiscal year thereafter, 50 percent of any increase in the amount calculated pursuant to this paragraph from the amount calculated in the 1997–98 fiscal year shall be allocated to school districts and community college districts for the purchase of instructional materials, on the basis of an equal amount per unit of average daily attendance, as defined by law, and through a fair and equitable distribution system across grade levels.

(3) All unclaimed prize money shall revert to the benefit of public education, as provided for in subdivision (e) of Section 8880.32.

(4) All of the interest earned upon funds held in the State Lottery Fund shall be allocated to the benefit of public education, as specified in Section 8880.5. This interest is in addition to, and shall not be considered as any part of, the 34 percent of the total annual revenues that is required to be allocated for the benefit of public education as specified in paragraph (2).

(5) No more than 16 percent of the total annual revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 16 percent of the total annual revenues, any surplus funds also shall be allocated to the benefit of public education, as specified in this section or in Section 8880.5.

(b) Funds allocated for the benefit of public education pursuant to subdivision (a) are in addition to other funds appropriated or required under existing constitutional reservations for educational purposes. No program shall have the amount appropriated to support that program reduced as a result of funds allocated pursuant to subdivision (a). Funds allocated for the benefit of public education pursuant to subdivision (a)

1 shall not supplant funds committed for child development  
2 programs.

3 (c) None of the following shall be considered revenues for the  
4 purposes of this section:

5 (1) Revenues recorded as a result of a nonmonetary exchange.  
6 “Nonmonetary exchange” means a reciprocal transfer, in  
7 compliance with generally accepted accounting principles,  
8 between the lottery and another entity that results in the lottery  
9 acquiring assets or services and the lottery providing assets or  
10 services.

11 (2) Reimbursements received by the lottery for the cost of  
12 goods or services provided by the lottery that are less than or  
13 equal to the cost of the same goods or services provided by the  
14 lottery.

15 (d) Reimbursements received in excess of the cost of the same  
16 goods and services provided by the lottery, as specified in  
17 paragraph (2) of subdivision (c), are not a part of the 34 percent  
18 of total annual revenues required to be allocated for the benefit of  
19 public education, as specified in paragraph (2) of subdivision (a).  
20 However, this amount shall be allocated for the benefit of public  
21 education as specified in Section 8880.5.

22 SEC. 3. Section 8880.5 of the Government Code is amended  
23 to read:

24 8880.5. Allocations for education and for the Cal Grant C  
25 Plus Program established pursuant to Chapter 6.1 (commencing  
26 with Section 69439.1) of Chapter 1.7 of Part 42 of the Education  
27 Code:

28 The California State Lottery Education Fund is created within  
29 the State Treasury, and is continuously appropriated for carrying  
30 out the purposes of this chapter. The Controller shall draw  
31 warrants on this fund and distribute them quarterly in the  
32 following manner, provided that the payments specified in  
33 subdivisions (a) to (g), inclusive, shall be equal per capita  
34 amounts.

35 (a) Payments shall be made directly to public school districts,  
36 including county superintendents of schools, serving  
37 kindergarten and grades 1 to 12, inclusive, or any part thereof, on  
38 the basis of an equal amount for each unit of average daily  
39 attendance, as defined by law and adjusted pursuant to  
40 subdivision (l).

1 (b) Payments shall also be made directly to public school  
2 districts serving community colleges, on the basis of an equal  
3 amount for each unit of average daily attendance, as defined by  
4 law.

5 (c) Payments shall also be made directly to the ~~Board of~~  
6 Trustees of the California State University on the basis of an  
7 amount for each unit of equivalent full-time enrollment. Funds  
8 received by the trustees shall be deposited in and expended from  
9 the California State University Lottery Education Fund, which is  
10 hereby created or, at the discretion of the trustees, deposited in  
11 local trust accounts in accordance with subdivision (j) of Section  
12 89721 of the Education Code.

13 (d) Payments shall also be made directly to the Regents of the  
14 University of California on the basis of an amount for each unit  
15 of equivalent full-time enrollment.

16 (e) Payments shall also be made directly to the Board of  
17 Directors of the Hastings College of the Law on the basis of an  
18 amount for each unit of equivalent full-time enrollment.

19 (f) Payments shall also be made directly to the Division of  
20 Juvenile Program in the Department of Corrections and  
21 Rehabilitation for educational programs serving kindergarten and  
22 grades 1 to 12, inclusive, or any part thereof, on the basis of an  
23 equal amount for each unit of average daily attendance, as  
24 defined by law.

25 (g) Payments shall also be made directly to the two California  
26 Schools for the Deaf, the California School for the Blind, and the  
27 three Diagnostic Schools for Neurologically Handicapped  
28 Children, on the basis of an amount for each unit of equivalent  
29 full-time enrollment.

30 (h) Payments shall also be made directly to the State  
31 Department of Developmental Services and the State Department  
32 of Mental Health for clients with developmental or mental  
33 disabilities who are enrolled in state hospital education programs,  
34 including developmental centers, on the basis of an equal amount  
35 for each unit of average daily attendance, as defined by law.

36 (i) No Budget Act or other statutory provision shall direct that  
37 payments for public education made pursuant to this chapter be  
38 used for purposes and programs (including workload adjustments  
39 and maintenance of the level of service) authorized by Chapters  
40 498, 565, and 1302 of the Statutes of 1983, Chapter 97 or 258 of

1 the Statutes of 1984, or Chapter 1 of the Statutes of the 1983–84  
2 Second Extraordinary Session.

3 (j) School districts and other agencies receiving funds  
4 distributed pursuant to this chapter may at their option utilize  
5 funds allocated by this chapter to provide additional funds for  
6 those purposes and programs prescribed by subdivision (i) for the  
7 purpose of enrichment or expansion.

8 (k) As a condition of receiving any moneys pursuant to  
9 subdivision (a) or (b), each district and county superintendent of  
10 schools shall establish a separate account for the receipt and  
11 expenditure of those moneys, which account shall be clearly  
12 identified as a lottery education account.

13 (l) Commencing with the 1998–99 fiscal year, and each year  
14 thereafter, for the purposes of subdivision (a), average daily  
15 attendance shall be increased by the statewide average rate of  
16 excused absences for the 1996–97 fiscal year as determined  
17 pursuant to the provisions of Chapter 855 of the Statutes of 1997.  
18 The statewide average excused absence rate, and the  
19 corresponding adjustment factor required for the operation of this  
20 subdivision, shall be certified to the State Controller by the  
21 Superintendent of Public Instruction.

22 (m) It is the intent of this chapter that all funds allocated from  
23 the California State Lottery Education Fund shall be used  
24 exclusively for the education of pupils and students and, *only as*  
25 *specified in subdivision (n)*, for awards under the Cal Grant C  
26 Plus Program established pursuant to Chapter 6.1 (commencing  
27 with Section 69439.1) of Chapter 1.7 of Part 42 of the Education  
28 Code. No funds shall be spent for acquisition of real property,  
29 construction of facilities, financing of research, or any other  
30 noninstructional purpose.

31 (n) Notwithstanding any other provision of law, on and after  
32 the operative date of the act that adds this subdivision, \_\_\_\_  
33 *percent of* the revenue deposited in the California State Lottery  
34 Education Fund that is generated as a result of the operation of a  
35 multistate lottery shall be deposited in a Cal Grant C Plus  
36 Program Account, which shall be established within the fund.  
37 The revenue deposited in the Cal Grant C Plus Program Account  
38 shall be allocated to the Student Aid Commission for the  
39 purposes of the Cal Grant C Plus Program established pursuant to

1 Chapter 6.1 (commencing with Section 69439.1) of Chapter 1.7  
2 of Part 42 of the Education Code.

3 SEC. 4. The Secretary of State shall submit Sections 1 to 3,  
4 inclusive, of this act for approval by the voters at a statewide  
5 election in accordance with Section 9040 of the Elections Code.

6 SEC. 5. This act shall not become operative unless and until  
7 Senate Bill 1819 of the 2005–06 Regular Session is chaptered  
8 and becomes operative.

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